

Before the  
**Federal Communications Commission**  
 Washington, D.C. 20554

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APR 3 2000

FEDERAL COMMUNICATIONS COMMISSION  
 OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Coalition for Affordable Local and Long	)	DA 00-533
Distance Services (CALLS) Modified Proposal	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local	)	CC Docket No. 94-1
Exchange Carriers	)	
	)	
Low-Volume Long Distance Users	)	CC Docket No. 99-249
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45

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**COMMENTS  
 OF THE  
UNITED STATES TELECOM ASSOCIATION**

The United States Telecom Association (USTA) respectfully submits its comments in the above-referenced proceeding. USTA is the nation's oldest trade organization for the local exchange carrier (LEC) industry. USTA represents more than 1,200 telecommunications companies worldwide that provide a full array of voice, data and video services over wireline and wireless networks. USTA members support the concept of universal service.

On March 8, 2000, the Coalition for Affordable Local and Long Distance Services (CALLS) filed a written *ex parte* submission containing a modified version of its original proposal to reform the Commission's access charge, price cap and universal service rules. The Commission has asked for comment on the modified CALLS plan. USTA supports the modified CALLS submission as a voluntary option for LECs. USTA urges the Commission to approve the modified CALLS plan and make it available as a voluntary option for all price cap LECs.

As USTA noted in its comments on the original CALLS proposal, the CALLS plan provides the Commission the opportunity to address current access charge, price cap and universal service rules that are incompatible with the competitive marketplace and the unique circumstances faced by individual price cap carriers in their serving areas. While the Commission has permitted limited flexibility for incumbent price cap LECs in areas where competition can be demonstrated through specified triggers, more needs to be done to reduce incumbent LEC regulation in order to promote economic efficiency, infrastructure investment, fair competition and customer welfare. Individual carriers must be permitted to adopt regulatory plans such as the CALLS proposal so that they can meet their business needs and compete in the marketplace. Although the modified CALLS plan may not be appropriate for all LECs, it reflects a resolution of complex issues that is acceptable to the signatories. These carriers should be permitted to implement the CALLS plan without further delay.

The modified CALLS plan contains several changes that will provide even greater benefits to customers. As explained in the CALLS *ex parte*, the amount of savings for low volume customers exceeds the original CALLS proposal. Based on data provided by CALLS, the overall bill for an AT&T customer who makes no long distance calls should be reduced by over \$4.60 per month upon implementation of the modified CALLS plan.<sup>1</sup> Because the modified plan expands the current Lifeline program, Lifeline customers should receive even greater reductions.

In addition, residential and single-line business customers will benefit from the elimination of the presubscribed interexchange carrier charge (PICC). As the Commission is aware, this charge, assessed on the interexchange carrier (IXC) for every presubscribed line, has

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<sup>1</sup> Memorandum in Support of the Revised Plan of the Coalition for Affordable Local and Long Distance Service, March 8, 2000 at 3.

been a source of customer confusion and discontent due to the manner in which the IXC's have passed the charge on to their customers. Elimination of the PICC as proposed by CALLS will simplify customer bills. Also, eliminating the PICC combined with the reduction in the primary residential/single line business subscriber line charge (SLC) cap from the original CALLS proposal will reduce the overall amount of these charges by about \$0.65 upon implementation.

The modified CALLS plan also addresses several other contentious issues. For example, the 6.5 percent X-Factor adopted by the Commission in CC Docket No. 94-1 was reversed and remanded by the U.S. Court of Appeals for the District of Columbia Circuit, which commented that none of the Commission's reasons for adopting its X-Factor "holds water".<sup>2</sup> The Court found that the Commission had relied on flawed data and had arbitrarily manipulated its results in order to achieve a predetermined outcome. USTA has already provided the Commission with updates of the Commission's own model which show that the X-Factor for 1998 is 3.03 percent and that the X-Factor for the most recent five year period is 4.06 percent.<sup>3</sup> USTA has also commented on recent Commission staff studies designed to arbitrarily increase the X-Factor and has pointed out significant errors in each.<sup>4</sup> USTA has explained that correcting the obvious errors in the 1999 Commission staff study results in an X-Factor of 4.37 percent for the most recent five-year period.<sup>5</sup> The 6.5 percent X-Factor cannot be justified on legal, regulatory or economic grounds and, as USTA pointed out in prior comments, may not be appropriate for optional price cap LECs. However, the use of the 6.5 X-Factor in the CALLS plan is part of the negotiated agreement in exchange for setting the X-Factor equal to inflation at a later date. It

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<sup>2</sup> *USTA v. FCC*, No. 97-1469 (D.C.Cir. May 21, 1999).

<sup>3</sup> USTA Ex Parte Letter, CC Docket No. 94-1, September 13, 1999.

<sup>4</sup> See, Comments of USTA, CC Docket Nos. 94-1 and 96-262, filed January 7, 2000.

<sup>5</sup> USTA Ex Parte Letter, CC Docket Nos. 94-1 and 96-262, February 16, 2000.

does not reflect a measure of productivity, but a path by which participants will meet the target rates within the life of the plan.<sup>6</sup>

Despite the fact that the Telecommunications Act of 1996 was signed into law over four years ago, the Commission has yet to resolve the issue of implicit universal service support contained in current access charge prices. The Act requires that such implicit support be made explicit. The modified CALLS proposal identifies the vast majority of implicit universal service support and provides for explicit recovery, similar to a proposal suggested by USTA in its universal service plan for nonrural carriers as well as in its access charge reform proposals for price cap carriers.<sup>7</sup> Consistent with the requirements of the Act, the CALLS plan provides that this universal service support be portable on a per line basis. Thus, it will not guarantee revenues to incumbents, but will be competitively neutral.

While both price cap LECs and IXC's have agreed that per minute access charges should be recovered in a more economically efficient manner, there have been differences as to the methodology and timing. CALLS provides for a more economically efficient rate structure by allowing recovery of non-traffic sensitive costs on a per line basis. The CALLS participants have agreed that per minute access charges be reduced by \$2.1 billion on July 1, 2000. As a result of this and further reductions in the future, current per minute access charges will almost be cut in half within three years. USTA believes that the rate structure included in the CALLS plan is preferable to the Commission's ill-advised proposals to modify the access rate structure, such as its capacity-based rate structure, which no carrier supports, and the retroactive application of growth adjustments.

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<sup>6</sup> Memorandum in Support of the Coalition for Affordable Local and Long Distance Service Plan, August 26, 1999 at 36-37.

<sup>7</sup> Comments of USTA, CC Docket Nos. 96-45 and 96-262, filed July 23, 1999 and USTA Ex Parte Letter, CC Docket Nos. 96-45 and 96-262, September 18, 1999.

The modified CALLS plan also allows for deaveraging of the SLC similar to a proposal developed by USTA.<sup>8</sup> The limited SLC increases included in the modified CALLS plan will facilitate deaveraging to better ensure that SLC rates reflect the appropriate economic cost in a particular geographic area.

Finally, as USTA has advocated, the modified CALLS plan provides a sure and direct path to a telecommunication market governed by market forces rather than regulation as required by the Telecommunications Act and as adopted, but not fully implemented by the Commission. As incumbent LECs meet their targeted access rates, the marketplace, not regulation, will determine the appropriate price in future years. The Commission will no longer need to maintain its prescriptive alternatives that only serve to impede fair competition and prevent investment.

USTA expects that the Commission will closely monitor the IXCs' commitments to pass through access charge reductions to their customers to ensure that customers receive the benefit of these reductions, not IXC shareholders. Fulfillment of the IXC commitments over the entire CALLS period will enhance the customer welfare benefits of CALLS. While IXCs may not be subject to dominant common carrier regulation, the Commission has sufficient authority under Sections 201, 202, 203, 204, and 205 of the Telecommunications Act, which apply to all common carriers, to ensure that IXC rates reflect the commitments made pursuant to CALLS. The Commission also has general authority pursuant to Section 4(i) to "perform any and all acts, make such rules and regulations and issue such orders, not inconsistent with this Act, as may be necessary in the execution of its functions." In addition, the Commission should make clear that any party has the right to petition the Commission pursuant to Section 208 of the Act to complain of "anything done or omitted to be done by any common carrier subject to this Act..." When the Commission adopts the modified CALLS plan, it should emphasize that it intends to

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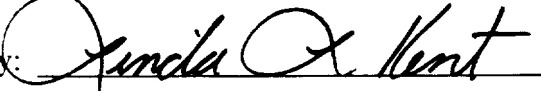
<sup>8</sup> Comments of USTA, CC Docket Nos. 96-262, 94-1 and 98-63, filed October 29, 1999.

use its statutory authority to ensure that IXCs abide by their commitments. Finally, the Commission should continue to accelerate the development of competition in the interexchange market by approving Section 271 applications filed by the Bell Operating Companies. Additional competition in the interexchange marketplace will best ensure that these customers' rates reflect market conditions.

Based on the forgoing, USTA urges the Commission to approve the modified CALLS plan as a voluntary option for price cap LECs on an expedited basis so that it can be implemented on July 1, 2000.

Respectfully submitted,

**UNITED STATES TELECOM ASSOCIATION**

By: \_\_\_\_\_

Its Attorneys:

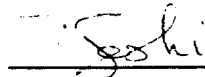
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April 3, 2000

**CERTIFICATE OF SERVICE**

I, Meena Joshi, do certify that on April 3, 2000, Comments Of The United States Telecom Association was either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.

  
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Meena Joshi